

## **MINUTES**

### **Joint Legislative Economic Development and Global Engagement Oversight Committee Room 643, Legislative Office Building Thursday, February 2, 2012 9:00 a.m.**

The Joint Legislative Economic Development and Global Engagement Oversight Committee met at 9:00 am, Thursday, February 2, 2012, in Room 643 of the Legislative Office Building. Members present were Senator Harry Brown, Co-Chair; Representative Jerry Dockham, Co-Chair; Senators Chris Carney, Neal Hunt, Brent Jackson, Floyd McKissick, Wesley Meredith, Robert Rucho, Josh Stein, Tommy Tucker; Representatives Jeff Collins, Mark Hollo, Darrell McCormick, Tom Murry, and Winkie Wilkins. Cindy Averette, Trina Griffin, Barry Boardman, Claire Hester, and Jonathan Tart, Staff Counsels, were in attendance. A Visitor Registration list is attached and made part of these minutes. (Attachment I)

#### **Call to Order**

Representative Dockham, Presiding Chair, called the meeting to order at 9:05 am. He recognized Senator Brown, Co-Chair and the Sergeant-at-Arms staff (Attachment II). The Chair informed the committee that Representative McGee was not able to attend due to a family emergency.

#### **Overview on North Carolina Department of Commerce's International Trade and Investment Division**

Chairman Dockham recognized Jean Davis, Director of the International Trade Division, NC Department of Commerce and welcomed Secretary of Commerce Keith Crisco to the committee. Ms. Davis opened her remarks by presenting the committee with testimony by businesses that have worked with the International Trade Division (Attachment III). Ms. Davis proceeded with an "Overview on North Carolina Department of Commerce's International Trade and Investment Division (ITD)" PowerPoint presentation (Attachment IV).

Chairman Dockham thanked Ms. Davis for her presentation and opened the meeting to committee members for questions and comments.

Representative Dockham asked what ITD is doing to help bring the furniture industry back to NC? Ms. Davis replied that currently several NC furniture companies are doing quite well; their model is a global model; e.g. Fairfield Chair. Fairfield Chair sources some of their products from other places, but does all their production, textile production, and assembly in NC. Chinese companies have expressed interest in relocating to High Point, in part because of the existing facilities and skilled workforce.

Representative Collins stated that ITD is one of the most important divisions the state is funding and asked how this funding compares with other states, especially with states surrounding NC? Ms. Davis did not have this information available, but promised that ITD will provide it for him before the next meeting.

Senator McKissick asked a twofold question. To what extend is ITD involved with the US International Trade Administration in terms of having an established relationship, e.g. programs they offer, assistance to support ITD and what could the NCGA do to help IDT operate their programs more effectively? Ms. Davis responded that ITD works very closely with the federal government and avails themselves of their services. ITD uses US International Trade Administration's Brazil desk regularly trying to build and expand NC's network in Brazil. Ms. Davis referred to a new book titled "The Next American Economy." Business Week author William Holstein included an entire chapter "Revving up the Export engine" and in it holds up NC as a national model for export assistance and leveraging local, state, and federal resources to help businesses create jobs via exports.

As to IDT's wish list to operate their program more effectively, Ms. Davis stated that NC is a state of nine million people and ITD has only six staff covering the entire state. The staff person responsible for Life & Sciences (NC is number three in Life & Sciences in the US) also manages Plastics & Chemicals (Plastics & Chemicals is NC's largest export); his portfolio is stretched to the limit. To employ more staff would help greatly to reach more NC companies.

Operationally, VA has forty-four offices; ITD's funding for the Brazil office was a non-recurring fund ITD received last year. ITD has a waiting list of companies who want to take advantage of the services in Brazil. It would be economically worthwhile to get full funding for a Brazilian representative to help NC companies, attract FDI from Brazil, and other emerging markets. An ITD delegation traveled to India last year and saw enormous opportunities there. In conclusion, reaching out globally into these markets would be extremely helpful for job growth in NC.

### **Role of the NC Treasurer's Office in State Global Engagement**

Chairman Dockham welcomed and introduced The Honorable Janet Cowell, North Carolina State Treasurer. Treasurer Cowell opened her presentation by stating that she recognizes the importance of economic development in building and maintaining a financially strong and prosperous North Carolina. State innovation plays a significant role in driving economic development. Treasurer Cowell proceeded with a PowerPoint presentation regarding the role of the NC Treasurer's office involvement in State Global Engagement (Attachment V). She noted there is no one representing the Treasurer's office on the Economic Development Committee. It would be advantages if state government and the Department of the Treasurer would coordinate their efforts on how to best support capital and governance models that are deployed in NC.

Chairman Dockham thanked Treasurer Cowell for the interesting presentation and asked who at the Department of the Treasurer makes investment decisions regarding international real estate. Ms. Cowell responded that the Treasurer's office only invests in global real estate funds through experienced real estate managers, such as Morgan Stanley.

Chairman Dockham opened the meeting to committee members for questions and comments.

Senator Hunt inquired about the NC Innovation Fund which has allocated up to \$35 million to invest in venture capital funds focused on early-stage life sciences. Also, how early in the process does the Office of the Treasurer get involved; is it a speculative investment, and what are the priorities? Treasurer Cowell replied that during the first stage the Treasury invested only in commercial companies. The Dept. of the Treasurer partners with pharmaceutical companies, drug development; however it's still hard to compute the very early stage of value of debt. Investments in medical devices, pharmaceutical, bio tech, life sciences, are all co-invest.

Representative Collins asked what the General Assembly can do to make it easier for the office of the Treasurer to manage the Pension Fund. Ms. Cowell responded that with \$15 billion invested internationally, more due diligence is required. It would be less expensive to have a couple of employees in the Hong Kong and Shanghai office who could help perform due diligence and monitor the risk. This is something the Dept. of the Treasurer will explore in conjunction with ITD; to determine if the staff of the Treasury could leverage some of the office space IDT already has in these locations. Obviously this request has to be approved by the General Assembly.

Senator McKissick inquired what the General Assembly could do to allow the Office of the Treasurer to become more engaged in the process of doing business with foreign investments and increasing exports. Ms. Davis replied getting the Treasurer's office involved at the initial stage, as businesses present ideas whether they should invest in infrastructure, real estate or public finance related issues. The Treasurer's office could partner and direct entities even if it is only in an advisory role.

On behalf of Chairman Brown and himself, Chairman Dockham thanked Treasurer Cowell for her presentation and requested that she or her staff provide a list of items that could help the Department of the Treasurer have a greater presence in State Global Engagement.

### **Role of the Department of Agriculture in State Global Engagement**

Chairman Dockham recognized Robert Hosford, International Marketing Officer, NC Department of Agriculture (NCDA) to explain the role of the Department of Agriculture in State Global Engagement. Mr. Hosford presented the committee with a notebook "NC Agriculture Statistics" which explains the minutia of the agriculture research system in North Carolina (Attachment VI). He proceeded with a PowerPoint presentation (Attachment VII).

Chairman Dockham thanked Mr. Hosford for his presentation and opened the meeting for questions and comments.

Senator Tucker asked if the Golden LEAF Foundation provides funds to farmers to transition out of tobacco into other industries and does the Foundation support the emerging sweet potato markets, i.e. equipment, land, etc.? Mr. Hosford responded that

under the Golden LEAF charter, Golden LEAF's funding priority is to provide economic impact assistance to economically distressed or tobacco-dependent regions of North Carolina. Mr. Hosford did not have an answer regarding how Golden LEAF allocated its funds recently, but will provide the information before the next meeting.

The Committee members expressed a strong interest in the state ports and asked many questions concerning the logistical challenges they face. Representative Collins asked if NC is losing export activities at NC Ports because NC imposes a tax that other state Ports do not. Mr. Hosford replied that no, it would mean great savings for farmers and tax revenue for the State if agriculture companies would use NC Ports. NC ships about 70% of their agricultural goods out of Norfolk, VA, Charleston, SC, or Savannah, GA. At the moment 870,000 barrels of NC cotton are stored in a warehouse within eighty miles of the Port of Wilmington, of the 870,000 barrels approximately 600,000 will be shipped out of a port other than NC. NC is the epicenter for most turkeys, chicken and almost all of the pork exports. Even though most of it is produced within a 30 mile radius from NC ports, it's being shipped out of VA. NC ports do not have cold storage facilities, but if NC could work with integrators and processors to see the value of NC ports, it would generate money for NC and save money for NC producers.

Representative McCormick concluded from the information provided by Mr. Hosford that NC needs to take a closer look at NC Ports to make them more competitive with the ports in VA, SC, and GA.

Senator McKissick commented that the port issue needed to be addressed by the General Assembly; it needs to address the strategic planning and investments that are necessary to make the Port of Wilmington competitive in today's market.

Senator Tucker asked whether the ports at Wilmington and Morehead City are deep enough or does NC need to build a port elsewhere rather than utilize existing ones? Mr. Hosford replied as to the depth of the ports, it depends on what is being shipped into NC. The Port of Morehead City is one of the deepest ports on the US East Coast. There is a lot of opportunity in this particular port. To bring in a 6,000 or 8,000 ton vessel up the 26 miles of the Cape Fear River, requires constant maintenance dredging by the Corp of Engineers, the Port of Morehead City will never get to a depth of 50 feet which it would need to accommodate super vessels, but if the port can maintain 42 to 46 feet, NC will be competitive with medium size vessels.

Senator Carney asked whether a study has been done that shows what revenue stream NC is missing by not being able to ship from NC ports? Mr. Hosford replied that no comprehensive study has been done on this issue, but NCDA has conducted a micro study for agriculture products. Senator Jackson asked what ship-owners require of NC ports in order to bring their vessels into NC ports? Mr. Hosford stated that liner calls are driven by volume import. Ten years ago liners told customers which port to use, but that has changed. It is a very competitive industry and the cost structure has changed. Today, customers tell liners which port to use to ship their goods into.

Senator Brown asked how rail lines tie into the ports. Mr. Hosford explained that two rail lines are servicing NC, CSX and South North Carolina Railroad; with one operator being Norfolk Southern, servicing the northern part of NC. Norfolk Southern, on the state owned railroad tracks, runs from Charlotte to Greensboro, and Raleigh to Morehead City.

Chairman Dockham thanked Mr. Hosford for a great presentation and proceeded to introduce Mr. Adam Hartzell, Executive Director, and Ms. Meredith Henderson, Senior Director of Programs, UNC Center for International Understanding.

## **Overview of Global Leaders Program to China, 2011**

Mr. Hartzell opened his PowerPoint presentation “Overview of Global Leaders Program to China, 2011” (Attachment VIII) with information on who the Center for International Understanding (CIU) is, what the Center does, and why it matters.

To illustrate the impact of the Center for International Understanding’s work Mr. Harzell asked Ms. Meredith Henderson to talk about the most recent Global Leaders Program trip to China.

In November of 2011 CIU took a delegation of seventeen NC policy leaders to China for twelve days. This program built on the work of the delegation that traveled to China in 2009. The delegation was led by nine legislators, including two of this committee’s co-chairs, Senator Harry Brown and Representative Bill McGee. It also included the departments of Commerce and Agriculture and representatives from higher education and local school boards. The charge was to better understand China’s emergence as a global economic power and that China’s economy is inextricably tied to North Carolina’s economy.

There is tremendous potential for growth in China-NC economic relationships for mutual benefit. These connections could play a key role in NC’s economic future. China is NC’s second largest export market and China buys nearly 14% of our state’s agricultural exports. It is a country of one-point-three billion people and its growing middle class is hungry for American products. North Carolina needs to be in position to earn its share of that growth. The Global Leaders program is all about tapping and expanding global ties so that NC is positioned to succeed on the international stage.

The power of those experiences was summed up nicely by one participant, “The delegation truly did not realize the stake NC has in China. Sometimes you have to see it with your own eyes.” It’s not enough to travel to another country. That is only part of the equation. The Center for International Understanding’s theme is “Learning from the world, serving North Carolina.”

The Global Leaders delegation continues to meet and strategize, drafting an executive summary of findings and recommendations. A printed summary will be available in the coming weeks.

At this point Ms. Henderson invited Mr. Hartzell to continue with the presentation. Mr. Hartzell explained that he has only been in the position of Executive Director of the North Carolina Center for International Understanding for four weeks, and acknowledged that he has much to learn about NC's robust efforts to be competitive in a global environment. However, having a fresh perspective, he presented a few observations that will hopefully be beneficial to the Joint Legislative Economic Development & Global Engagement Oversight Committee.

As mentioned previously, in March 2009, CIU convened a Global Engagement Summit that brought together leaders from the legislature, state agencies, educators, and some of our state's top business leaders. As a result of this, this group concluded that:

The state of North Carolina should become the first state in the nation to develop a state-level strategic plan for global engagement. A copy of the full report entitled "Engaging North Carolina to Engage the World" was provided to the committee (Attachment IX). This is an issue CIU has been working on for quite a while. In addition, the Joint Select Committee on Global Engagement also recommended the development of a state wide strategic plan.

The Center is prepared to offer its continued leadership to achieve the goal of NC being the first to develop a state-level global engagement plan, one that would identify for the Joint Legislative Economic Development & Global Engagement Oversight Committee and the Center's policy leaders steps that can be taken to make NC a state that is minimizing the drawbacks of global competition and maximizing the benefits of global trade and job creation.

In conclusion, the NC Center for International Understanding would suggest that the Joint Legislative Economic Development & Global Engagement Oversight Committee reiterate its support for and commitment to a coordinated global strategy to make NC more globally engaged and competitive, and work with the Center to develop the goals and objectives of a comprehensive global engagement plan for the state.

Chairman Dockham thanked Ms. Henderson and Mr. Hartzell for their presentation and opened the meeting to committee members for questions and comments.

Senator Brown referred to Ms. Henderson's earlier statement regarding the Yangshan Port, the world's second largest container port, and its construction from conception to opening in just three years. He stated that NC could not get a permit in three years, much less build it. Senator Brown emphasized that in order to control costs, once an idea is born, all parties must be brought to the table quickly, to move the project forward.

Senator Tucker asked how many staff the NC Center for International Understanding employs, what is the size of the Center's budget, and how is the Center funded. Mr. Hartzell responded that at one time the NC Center for International Understanding consisted of twelve, fulltime employees; currently the Center operates with six staffers. It is partially funded by the General Assembly through the UNC system, competitive grants, and corporate sponsorships. One important note, none of the Center's travel

expenses are paid by public funds. (Mr. Harzell did not respond to Senator Tucker's question regarding the Center's budget)

Senator McKissick thanked and commended Mr. Hartzell and his staff for managing the NC Center for International Understanding's excellent programs in the private and government sector. Senator McKissick, who attended some of these programs, found it to be a very unique learning experience. It is his hope that the General Assembly will have the vision to provide the resources that are necessary to execute the Center's plan relating to global strategy, dealing with global engagement.

Representative Dockham thanked the speakers and committee members, and announced that the next meeting will be March 1, 2012.

There being no further business, the Chair adjourned the meeting at 11:45 am.

Respectfully submitted,

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Representative Jerry C. Dockham, Presiding Chair

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Regina Irwin, Committee Assistant

\*The Department of Commerce provided the Committee with information in response to questions asked at the January 5, 2012 meeting (Attachment X).

Attachments